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DEPARTMENT FOR PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A  
TAGS: ETTC KOMC CS  
SUBJECT: BLUE LANTERN LEVEL TWO END USE CHECKS: APPLICATION  
05-991968 AND LICENSES 05-986109 AND 05-967303

REF: A. STATE 46425  
    1B. COPLEY/STITZIEL FAX 17 MAY 2006  
    1C. SAN JOSE 1569

11. Summary: PolOffs visited Importadora de Armas Martin Armar on July 14. The business is located in the basement of a private residence, is owned by Juan Carlos Martin, and has one employee, Carmen Zamora. Post previously obtained information from the Costa Rican government confirming that Martin Armar is largely a straw purchaser for Armeria Rex (Ref B). Few of the USML items imported by Importadora de Armas Martin Armar appear to be sold in accordance with the Nontransfer and Use Certificate signed by the company. End Summary.

12. Owner Juan Carlos Martin was not available due to hospitalization. Instead, we spoke with Carmen Zamora who has managed the business for the past six months due to the owner's health, and with Rodrigo Martin, father of Juan Carlos and his chief financial backer. Martin Armar has a long-standing and close business relationship with Armeria Rex. Martin stated that approximately 70% of all shotguns imported by Martin Armar are resold to Armeria Rex. Approximately 20% of handguns are handled in the same fashion. Both Martin and Zamora stated that few of the rifles they import are resold to Armeria Rex. Zamora presented computerized records showing that over the past 6 months only a handful of rifles had been sold to Armeria Rex. However, per Ref B, records obtained from the Directorate for Control of Arms and Explosives (DCAE) show that practically all U.S. weapons, including rifles, imported by Martin Armar in 2005 were resold to Armeria Rex.

Application 05-991968

13. According to Ref A, the application is to import ammunition only (118,000 rounds of various caliber valued at \$28,540.00). Martin Armar's storage vault measures approximately 8 x 8 x 20 feet and could easily store the ammunition. The company's display area is very small, however, consisting of a narrow room with six rifles mounted on a wall. Martin said he plans to remodel the display area to allow for better storage and display of ammunition. Zamora was unfamiliar with the company's reasons for importing high-powered rifle ammunition such as 30/30, 30/06 and .308 Winchester. She said Martin Armar's primary sales in ammunition were .22 caliber rifle cartridges to ranchers in northern Costa Rica. Zamora hopes to increase sales of ammunition for handguns such as 9mm and .45 caliber by keeping more of it on display. Zamora was unfamiliar with .223 caliber ammunition and was completely unaware that the license application includes 15,000 rounds. She had no idea who that ammunition would be sold to and even believed it would be illegal to import this kind of ammunition to Costa Rica. Zamora assured us that Martin Armar had no current contracts to provide ammunition to the Costa Rican government

which is the primary purchaser of this kind of ammunition in Costa Rica. She telephoned business owner Juan Carlos Martin to confirm this point.

License 05-986109

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¶4. According to Zamora, one of Martin Armar's best-selling products are .22 caliber rifles sold to ranchers. She explained that Martin Armar sells on a consignment basis to a Mr. Finlander Paniagua who travels throughout northern Costa Rica reselling the rifles, ammunition, and his services in assisting weapons buyers with registering their purchases. This seems confirmed by the license request in which 50 of the 72 rifles requested are .22 caliber. Martin was unconcerned about the possibility that weapons he is responsible for could be diverted if Paniagua were robbed during his travels. Martin said his son has not considered insuring the weapons he provides to Paniagua adding that the relationship has worked well for approximately six years. Note: Subsequent investigation revealed that Paniagua was convicted on document fraud charges and served a year in prison in 1998. It is unclear if Martin is aware of this part of Paniagua's background. Also, initial efforts to trace U.S. weapons imported by Martin Armar but sold by Armeria Rex show that Paniagua purchased at least six .22 caliber rifles from Armeria Rex which makes little economic sense given that he could have obtained them directly from Martin Armar at a lower price. We will continue to investigate. End Note.

License 05-967303

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¶5. The quantities and models requested under this license are nearly identical to the above request. As noted Ref B, the majority of these weapons were sold to Armeria Rex in 2005 as follows: 38 of the 50 .22 caliber rifles, 8 of 12 30/30 rifles, as well as all of the .44 MAG and .357 MAG rifles. The sales to Armeria Rex were made in February, July and October of 2005--likely corresponding to the dates these weapons were shipped. The receipt numbers used by Martin Armar to report the sales to DCAE are generally in consecutive order, indicating that the shipments were sold in lots to Armeria Rex. We note that the model 1894 rifles (.44 and .357) are somewhat unusual and are also identical to rifles that another arms dealer, Koruma Lenex (see Ref C), told us Armeria Rex had specifically requested. Armeria Rex was successful in obtaining several of these rifles from Koruma Lenex and several more from Martin Armar, but apparently is still trying to acquire them. During our visit we counted 15 Marlin rifles, still in their boxes, being stored in the weapons vault.

¶6. Martin Armar is a duly licensed arms dealer with valid permits for importing firearms. Its largest customer by far is Armeria Rex. Martin stated that Armeria Rex is a good customer that always pays cash on delivery. Although this Blue Lantern does not deal with shotguns, in the course of our visit we discovered that Martin Armar imported and sold over 100 12 gauge shotguns to Armeria Rex in 2005 and, according to an FCS Extrancheck conducted in June 2005, it imported a similar amount in 2004. Aside from Armeria Rex and Mr. Paniagua, the remainder of Martin Armar's customers appear to be individual Costa Ricans living in the San Jose area. Martin Armar appears to keep proper records except in the case of the weapons sold on consignment by Paniagua. Zamora told us that Paniagua brings back the names of the individuals he sells to so that records can be updated. However, in the records we saw, the papertrail ends with Paniagua. On-site security consists of CCTV at the entrance, two alarm systems monitored by ADT company and a reinforced wooden door on the weapons storage area. These security systems are similar those used by other Costa Rican gun dealers we have visited with one glaring exception. Rodrigo Martin, the father, owns a restaurant in an adjacent building. Martin Armar's display area and storage vault are separated by an office used by Rodrigo Martin and a storage area used by the restaurant. The door to the weapons storage

vault is not alarmed and the restaurant routinely accepts deliveries to its storage area. The weapons storage area is vulnerable whenever deliveries are being made to the restaurant's storage area.

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